

**Questions and Answers**  
**Section 6507 of the ACA, NCCI Methodologies**  
**August 2010**

- Q. What guidance is this State Medicaid Director’s letter implementing?**
- A.** The CMS is providing guidance and establishing policy in support of implementing section 6507 of the Affordable Care Act signed into law on March 23, 2010. That is, this letter is one of a series intended to provide guidance on the implementation of the Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Health Care and Education Recovery Act of 2010 (P.L. 111-152), together referred to as “the Affordable Care Act” and Title VI – Transparency and Program Integrity, Subtitle F – Additional Medicaid Program Integrity Provisions, Section 6507 – Mandatory State Use of National Correct Coding Initiative (NCCI).
- Q. What does Section 6507 of the Affordable Care Act require of State Medicaid programs?**
- A.** Section 6507 of the Affordable Care Act requires each State Medicaid program to implement compatible methodologies of the National Correct Coding Initiative (NCCI), to promote correct coding and to control improper coding leading to inappropriate payment.

Specifically, section 6507 of the Affordable Care Act amends section 1903(r) of the Social Security Act (the Act). Section 1903(r)(4) of the Act, as amended, requires that, by September 1, 2010, CMS must notify States of such NCCI methodologies that are “compatible” with claims filed with Medicaid to promote correct coding and control improper coding leading to inappropriate payment of claims under Medicaid. CMS must also notify States of the NCCI methodologies that should be incorporated for claims filed with Medicaid for which no national correct coding methodology has been established for Medicare. CMS also must inform States as to how they must incorporate these methodologies for claims filed under Medicaid. Section 1903(r)(1)(B)(iv), as amended, requires that, by October 1, 2010, States incorporate compatible methodologies of the NCCI administered by the Secretary and such other methodologies as the Secretary identifies. This means that States must incorporate these methodologies for Medicaid claims filed on or after October 1, 2010. By March 1, 2011, CMS must submit a report to Congress that includes the September 1, 2010 notice to States and an analysis supporting these methodologies.

- Q. What is NCCI?**
- A.** The NCCI is a CMS program that consists of coding policies and edits. Providers report procedures/services performed on beneficiaries utilizing Healthcare Common Procedure Coding System (HCPCS)/Current Procedural Terminology

(CPT) codes. These codes are submitted on claim forms to Fiscal Agents for payment. NCCI policies and edits address procedures/services performed by the same provider for the same beneficiary on the same date of service. This program was originally implemented in the Medicare program in January 1996 to ensure accurate coding and reporting of services by physicians. The coding policies of NCCI are based on coding conventions defined in the American Medical Association's Current Procedural Terminology Manual, national and local Medicare policies and edits, coding guidelines developed by national societies, standard medical and surgical practice, and/or current coding practice.

**Q. What are NCCI Methodologies and are these methodologies compatible with the Medicaid program?**

- A.** The NCCI methodologies include both NCCI edits and Medically Unlikely Edits, or MUE's. NCCI methodologies are made up of the following four components:
- I. a set of edits
  - II. a definition of types of claims subject to the edits
  - III. a set of claims adjudication rules for applying the edits
  - IV. a set of rules for addressing provider/supplier appeals of denied payments for services based on the edits

Currently, CMS has five methodologies for Medicare Part B. After review, CMS has determined that these same five NCCI methodologies are compatible methodologies for claims filed in Medicaid. Specifically, the methodologies are:

- 1. NCCI procedure-to-procedure edits for practitioner and ambulatory surgical center (ASC) services.
- 2. NCCI procedure-to-procedure edits for outpatient hospital services (including emergency department, observation, and hospital laboratory services) incorporated into the Medicare outpatient code editor (OCE) for hospitals reimbursed through the hospital outpatient prospective payment system (OPPS). These same edits in OCE are applied to all facility therapy services billed to the Medicare Fiscal Intermediary (Part A Hospital/Part B Practitioner Medicare Administrative Contractors processing claims with the Fiscal Intermediary Shared System). They do not apply to hospitals not reimbursed through the OPPS (e.g., Critical Access Hospitals).
- 3. MUE units-of-service edits for practitioner and ASC services.
- 4. MUE units-of-service edits for outpatient hospital services.
- 5. MUE units-of-service edits for supplier claims for durable medical equipment.

**Q. What NCCI methodologies did CMS find that are not compatible with Medicaid that are currently being utilized in the Medicare program?**

- A.** After extensive review, CMS found that all five of the NCCI methodologies currently used in Medicare are compatible for the Medicaid program. Therefore, CMS has determined that the five NCCI methodologies currently in place in Medicare are compatible methodologies for claims filed in Medicaid and that these five methodologies must be incorporated in a State's Medicaid Management Information System (MMIS) to begin the process of editing provider's claims for claims filed on and after October 1, 2010.

**Q. What if a new methodology is discovered that was not identified in this SMD letter?**

**A.** The CMS fully anticipates and will continue to evaluate the application of additional NCCI methodologies and/or edits to continue to achieve additional savings that are possible as a result of proper coding. Additional methodologies may be developed later and, if so, CMS will update States regarding the progress of NCCI methodologies in Medicaid moving forward.

**Q. What is an NCCI edit and how does it differ from an NCCI methodology?**

**A.** NCCI edits are one component of NCCI methodologies. The five NCCI methodologies currently contain approximately 1.3 million procedure to procedure and MUE units of service edits. The NCCI edits are defined as edits applied to services performed by the same provider, for the same beneficiary, on the same date of service. Providers report procedures/services performed on beneficiaries utilizing HCPCS/CPT codes. These codes are submitted on claim forms to Fiscal Agents for payment. NCCI policies and edits address procedures/services performed by the same provider for the same beneficiary on the same date of service. They consist of two types of edits which are:

1. NCCI procedure-to-procedure edits that define pairs of HCPCS/CPT codes that should not be reported together for a variety of reasons. These edits consist of a column one code and a column two code. If both codes are reported, the column one code is eligible for payment and the column two code is denied.
2. Medically Unlikely Edits (MUEs), units-of-service edits, that define for each HCPCS/CPT code the number of units of service beyond which the reported number of units of service is unlikely to be correct (example: more than one claim for excision of more than one gallbladder or more than one pancreas).

**Q. Upon analysis by States, what if an edit is found that is currently included within an NCCI methodology but is in conflict with a State law or regulation?**

**A.** The CMS acknowledges and allows States to consider edits on an individual State-by-State basis. That is, if a State determines that some portion of the 1.3 million edits conflict with State laws, regulations, administrative rules, payment policies, or level of operational readiness, CMS will allow State deactivation of edits. The edits must be approved by no later than the earlier of:

1. April 1, 2011; or
2. The date at which the State has an Advanced Planning Document (APD) approved by CMS that documents such conflict with State laws, regulations, administrative rules, payment policies or the State's level of operational readiness.

States will not be afforded the flexibility to deactivate edits after March 31, 2011, because of lack of operational readiness. If States are not deactivating edits after

March 31, 2011, States are not required to submit an APD to CMS for this purpose.

**Q. Upon analysis by States, what if an edit, or edits, are found that are not currently included within an NCCI methodology but that are necessary to improve correct coding within a respective State Medicaid program?**

**A.** States may wish to consider applying additional edits that meet the intent of the statute and would improve correct coding within their respective State Medicaid program. More importantly, if doing so may result in additional savings to the State Medicaid program by promoting correct coding and reducing the error rate for claims payments, additional edits should be reviewed.

States should contact CMS to discuss incorporation of additional NCCI edits in their claims processing systems.

**Q. What will CMS provide to States in order to implement NCCI in Medicaid?**

**A.** The CMS will provide States the Medicaid NCCI methodologies files (MCDNCCI files) for download by September 1, 2010. These files will be available on the secure Web site sponsored by the Medicaid Integrity Institute (MII). Quarterly updates of the MCDNCCI files will also be posted to the MII secure Web site. The MCDNCCI files will be available to States on the MII Web site by September 1, 2010, in three file formats: ASCII.TXT, Excel 2007 (.xlsx), and tab-delimited text (.txt) with column headings.

Additionally, the Excel 2007 (.xlsx) file and the tab-delimited text (.txt) file with column headings will also be available on a new Medicaid NCCI webpage on the CMS Web site by October 1, 2010.

Reimbursement for a claim denied due to an NCCI/MUE edit may be appealed. Consequently, CMS will also provide Appeals Adjudication Rules.

The CMS is developing a separate policy manual for Medicaid services derived from the *National Correct Coding Initiative Policy Manual for Medicare Services*. The *National Correct Coding Initiative Policy Manual for Medicaid Services* will be available to States on the new Medicaid NCCI webpage on the CMS Web site by October 1, 2010. This manual will be helpful in understanding the policies that the NCCI and MUE edits are based on and will assist customer service, medical review, and appeals staffs.

The CMS will also post the *NCCI Correspondence Language Manual* to the new Medicaid NCCI webpage on the CMS Web site. Each NCCI edit and MUE has a "Correspondence Language Example Identification Number" (CLEID). The *NCCI Correspondence Language Manual* may be used with the CLEID for correspondence related to the policy rationale for each edit. This manual will be helpful in explaining the basis of an edit when responding to correspondence and to those handling appeals.

The CMS will also make available Frequently Asked Questions for NCCI and for MUE as well as a Medicare Modifier 59 Article.

**Q. What should States be aware of in implementing NCCI in Medicaid?**

**A.** In order to ensure that States have the NCCI methodologies files in a timely manner, for the start of this program, the Medicaid NCCI methodology files will lag the corresponding Medicare NCCI/MUE files by one calendar quarter with two exceptions:

1. The Medicaid NCCI methodology file for outpatient hospital services will not lag by one calendar quarter. The Medicaid and Medicare files for these services will be synchronous.
2. Medicaid will incorporate into its NCCI methodology files Medicare NCCI and MUE edit deletions or modifications on a synchronous basis with Medicare.

Beginning with the calendar quarter starting January 1, 2011, all Medicaid NCCI methodology files will be synchronous with Medicare NCCI and MUE edit files. This would mean that for version 2.0 (January 1, 2011) and all subsequent versions of MDCNCCI, the files will be available on the MII approximately 15 days prior to the beginning of the calendar quarter.

**Q. What funding is available to States to implement Section 6507 of the Affordable Care Act?**

**A.** Section 1903(r) of the Social Security Act, as amended by section 6507 of the Affordable Care Act describes the functionality of a State's MMIS system or a State's information retrieval and automated payment processing system. With the enactment of this section, State MMISs must include Medicaid NCCI methodologies as part of their functionality. Section 1903(a)(3) of the Act provides CMS with the authority to provide Federal financial participation (FFP) to States for design, development, installation, and maintenance of the State's MMIS system. Thus, in considering revisions to a State's MMIS, CMS is authorized to provide 90 percent FFP to States to incorporate Medicaid NCCI methodologies into the State's MMIS system.

The CMS will utilize the current process for requesting such funding for a State MMIS (i.e., the APD process). Additionally, if a State can produce information that validates that the State was involved in making changes to its MMIS to incorporate NCCI methodologies prior to the release date of this letter, retroactive FFP may be available for APD-approved activities, but for no earlier than March 23, 2010. States should work with their respective Regional Offices to submit APDs and to request FFP.